

# **APPENDIX 1 - NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL RISK MANAGEMENT POLICY**

## **1. INTRODUCTION**

1.1 The Council has adopted the principles of risk management in order to meet the following objectives:

- To protect the health, safety and welfare of its employees and the people it serves;
- To protect its property, assets and other resources;
- To protect the services it provides; to maintain its reputation and good standing in the wider community; and
- To deliver its overall objectives and priorities.

## **2. RISK MANAGEMENT STRUCTURE**

2.1 Risk Management is co-ordinated corporately by the Health and Safety Officer and through the Corporate Risk Scrutiny Group (RSG) chaired by the Strategic Director of Housing and Customer Services. Each of the Council's Services has a representative on the RSG. Progress on Corporate Risk Management will be reported to Elected Members through performance reports to the Audit and Governance Committee. The Corporate Portfolio Holder is the Cabinet Member with overall responsibility for risk management, the Leader of the Council.

2.2 Risk management will be embedded in the culture of the authority through:

- The continued adoption of the Council's risk management policy statement;
- A nominated officer lead, currently the Head of H.R. and Organisation Development ;
- The Corporate Risk Scrutiny Group with representation from each Service Area;
- An established uniform procedure for the identification, analysis, management and monitoring of risk;
- Training and briefings in conjunction with our insurer, Zurich Municipal and
- Regular monitoring and reporting through the corporate performance management system (including Internal Audit).

2.3 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. Each year the Audit Manager produces a risk-based annual Audit Plan. This is informed by a risk assessment which includes a review of corporate and service risk registers, and consultation with key stakeholders and senior management. The Plan is developed to deliver a programme of internal audits to provide independent assurance to Senior Management and Members. Internal audit undertake a risk based approach for individual assignments and gives a rating of the level of assurance that be awarded within each system / business area. This demonstrates the extent to which controls are operating effectively to ensure that significant risks to the achievement of the Council's priorities are being addressed.

### **3. AIMS OF THE POLICY**

3.1 The Council will strive to maintain its diverse range of services to the community and visitors to the North West Leicestershire area. It will protect and preserve its ability to continue to provide these services by ensuring that its assets, both tangible and intangible, are protected against loss and damage. The Council is committed to a programme of risk management to ensure its ambitions for the community can be fulfilled through:

*“The identification, analysis, management and financial control of those risks which can most impact on the Council’s ability to pursue its approved delivery plan”.*

3.2 The Council is committed to using risk management to maintain and improve the quality of its own services as well as any contribution by partnerships through its community leadership role. The Risk Management Policy has the following aims and objectives:

- To continue to embed risk management into the culture of the Council;
- To promote the recognition of risk within the Council’s defined corporate aims and objectives;
- Continue to raise risk awareness within the Council and its partners;
- To manage risk in accordance with best practice;
- To comply with legislation and guidance;
- To improving safety and increase safety awareness;
- To protect Council property, services and public image;
- To reduce disruption to services by having effective contingency or recovery plans in place to deal with incidents when they occur;
- To minimise injury, damage, loss and inconvenience to residents, staff, service users, assets etc. arising from or connected with the delivery of Council services;
- To review robust frameworks and procedures for the identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice;
- To maximise value for money.

3.3 Each year, through the Risk Scrutiny Group, the Council’s Corporate Leadership Team (CLT) will review the Risk Management Policy and its risk management processes to ensure their continued relevance to the Council. The annual review will also assess performance against the aims and objectives set out above. Completion of the self-evaluation matrix will be a key monitoring tool and a central part of this review. CLT will be accountable to Members for the effective management of risk within the Council. This will be achieved through the quarterly reporting of corporate risks to Cabinet.

### **4. RISK MANAGEMENT POLICY**

4.1 The overall objective of the Council’s risk management Policy is to ensure that risks to the Council’s objectives, services, employees, partnerships and contractors are identified, recorded, amended, prioritised and then addressed by being treated, tolerated, transferred or terminated. The Policy incorporates:

**a. Identification / consideration of risks**

- Identifies corporate and operational risks, assesses the risks for likelihood and impact, identifies mitigating controls and allocates responsibility for the mitigating controls.
- Requires the consideration of risk within all service plans and reviews and the regular review of existing risks as identified in the risk register.
- Requires, reports supporting strategic policy decisions and project initiation documents, to include a risk assessment.
- Externally horizon scan for impending risks that may impact the council, communicate the risk to the appropriate risk owner so they can assess for likelihood and impact, identify mitigating controls and allocate responsibility for the mitigating controls.

**b. Development / Delivery**

- Allocates responsibility for embedding risk management to a senior officer and Member, to jointly champion.
- Embeds risk management into; strategic planning, financial planning, policy making and review, and performance management.
- Requires that an update report arising from the work of the Risk Scrutiny Group is presented to Corporate Leadership Team for discussion and information on a quarterly basis.
- Develops arrangements to monitor and measure performance of risk management activities against the Council's strategic aims and priorities.
- Considers risks in relation to significant partnerships, which requires assurances to be obtained about the management of those risks.

**c. Member Involvement / Responsibility**

- Quarterly reports to be produced for Audit and Governance Committee on the management of risks together with recommendation of appropriate actions.

**d. Training / Awareness**

- Requires relevant training and tool kits to be given to appropriate staff to enable them to take responsibility for managing risks within their environment.
- Requires the maintenance of documented procedures for the control of risk and the provision of suitable information, training and supervision.
- Develops appropriate procedures and guidelines.
- Considers positive risks (opportunities) and negative risks (threats).
- Facilitates risk management awareness training for all Members.

**e. Review**

- Maintains and reviews a register of corporate business risks linking them to strategic business objectives and assigning ownership for each risk.
- Requires an annual review of the risk management process, including a report to CLT, completion of the Self Evaluation Matrix by all service areas, and quarterly reporting to the Audit and Governance Committee
- In the case of new or changing strategic risks, report to Audit and Governance Committee and/or Cabinet through the quarterly performance reporting process.
- Requires each team / department to review their individual Risk Registers as and when required (but no less than quarterly).

#### **f. Business Continuity**

- Develops contingency plans in areas where there is a potential for an occurrence having a catastrophic effect on the delivery of the Council's services.

#### **g. Insurance**

- Ensures the Council's Technical Officer, Finance is notified of any new risks.
- Ensures adequate records are maintained and retained to support the Council's defence against disputed insurance claims.

#### **h. Controlling the Risks**

Traditionally in risk management there are four ways to mitigate the risks to the organisation, these being typically referred to as **Treat, Tolerate, Transfer and Terminate** and are known collectively as the "4 Ts".

- **Tolerate** means the risk is known and accepted by the organisation. In such instances the senior management team should formally sign off that this course of action has been taken.
- **Transfer** means the risk mitigation is transferred i.e. it is passed to a third party such as an insurer or an outsourced provider, although it should be noted that responsibility for the risk cannot be transferred or eliminated.
- **Terminate** means we stop the process, activity etc. or stop using the premises, IT system etc. which is at risk and hence the risk is no longer relevant.
- **Treat** means we aim to reduce the likelihood of the threat materialising or else reduce the resultant impact through introducing relevant controls and continuity strategies.

### **5. CORPORATE RISK SCRUTINY GROUP**

5.1 The Corporate Risk Scrutiny Group is made up of technical experts and corporate leads from the Council's Service Areas. Members of the Group act as "champions" for risk within their services and the Group provides a link into the CLT.

5.2 The role of the Group is to maintain a formal framework that will assist with the management of risk and business continuity, by developing the corporate lead and advising CLT on the expected outcome. The objectives of the Group are:

- To assess and advise on the reduction of prevailing risks within the Council's services, to the benefit of staff and the public;
- To discuss, agree and recommend as appropriate, on matters relating to corporate risk policy.
- To make reports and recommendations to CLT;
- To discuss operational risks insofar as they relate to matters of cross-directorate interest;
- To oversee the implementation of the Council's risk management Policy, and to promote a holistic approach to its ongoing management;
- To promote good risk management practices with the aim of reducing potential liabilities;
- To consider and identify new risks, and ideas / schemes for risk reduction;
- To provide a forum to discussion on risk management issues.

These will be achieved through the following:

- The use of the Council's Risk Management reporting system;
- Monitoring the risk management Policy;
- Reviewing the Council's risk register and associated action plans, acting as a forum for examining and rating risks and making recommendations to CLT.
- Developing a comprehensive performance framework for risk management, and developing and using key indicators capable of showing improvements in risk management and providing early warning of risk;
- Supporting the development and review of internal standards and procedures regarding significant risk areas;
- Supporting the development and implementation of relevant training, awareness and education programmes;
- Supporting the development and implementation of adequate, relevant and effective reporting, communication and information dissemination systems with managers and staff;
- Supporting the effective monitoring and review of near misses, untoward incidents and accidents, legal and insurance claims and verifying that appropriate management action has been taken promptly to minimise the risk of future occurrence;
- Supporting the review of the risk register and action plans to ensure that appropriate management action is taken appropriately to tolerate, treat, transfer or terminate the risk;
- Monitoring compliance with legal and statutory duties;
- Providing progress reports to CLT and Members, drawing to their attention significant business risks.
- The Corporate Self Evaluation matrix will be produced annually by Service Head's and presented to the Corporate Risk Scrutiny Group by the Health and Safety Officer.

## **6. PROCEDURES**

- 6.1 The Council will adopt uniform procedures for the identification, analysis, management and monitoring of risk. These will be embodied in a formal risk management framework, which will be subject to annual review by the Audit and Governance Committee, following consideration by CLT.

The approved framework is set out in Appendix A to this Policy document.

## **7. FUNDING FOR RISK MANAGEMENT**

- 7.1 The annual Service and Financial Planning process will include a review of operational risks and consider the allocation of funds for risk management initiatives as part of the annual budget process. If additional funds are required approval will be sought initially from CLT.

## **8. BENEFITS OF EFFECTIVE RISK MANAGEMENT**

- 8.1 Effective risk management will deliver a number of tangible and intangible benefits to Individual services and to the Council as a whole e.g.

### **Improved Strategic Management**

- Greater ability to deliver against objectives and targets
- Increased likelihood of change initiatives being delivered effectively
- Improved reputation, hence support for regeneration
- Increased confidence to take controlled risks

### **Improved Operational Managements**

- Reduction in interruptions to service delivery: fewer surprises!
- Reduction in managerial time spent dealing with the consequences of a risk event occurring
- Improved health and safety of employees and others affected by the Council's activities
- Compliance with legislation and regulations

### **Improved Financial Management**

- Better informed financial decision-making
- Enhanced financial control
- Reduction in the financial costs associated with losses due to service interruption, litigations, etc.
- Improved containment of insurance premiums.

### **Improved Customer Service**

- Minimal service disruption to customers and a positive external image.

**North West Leicestershire District Council  
February 2018**

## APPENDIX A

### North West Leicestershire District Council Risk Management Framework

#### (A) What is this framework?

This framework is intended to promote a set of uniform risk management procedures through which directorates will identify, analyse, monitor and manage the risks faced by the Council.

For the purposes of the framework, risk management is defined as *“the identification, analysis, management and financial control of those risks that can impact on the Council’s ability to deliver its services and priorities.”*

Risk management is therefore concerned with better decision making, through a clear understanding of all associated risks before final decisions are made by either Members or officers. When risks are properly identified, analysed and prioritised it is possible to formulate action plans that propose management actions to reduce risk or deal adequately with the consequences of the risks should they occur. The underlying aim is to treat, terminate or transfer risk to bring them to an acceptable manageable level within the Council, monitor tolerated risk, ensuring services to the public can be maintained, and that the Council’s priorities can be fulfilled.

Risk management therefore supports the Council’s service planning process by positively identifying the key issues that could affect the delivery of the service objectives.

#### (B) Why does the council need to consider risk management as part of its service planning?

All organisations have to deal with risks, whatever their nature. As a general principle the Council will seek to reduce or control all risks that have the potential to:

- Harm individuals;
- Affect the quality of service delivery or delivery of the council’s priorities;
- Have a high potential of occurrence;
- Would affect public confidence;
- Would have an adverse effect on the council’s public image;
- Would have significant financial consequences.
- Have a potential for litigation in line with exposure detailed below

Risk Management cannot therefore be considered in isolation, but needs to be an integral part of decision-making and service planning processes of the Council. Risk management must be fully embedded in:

- Service planning,
- Performance management,
- Best value,
- Committee reports.

For this reason risk management is located within the HR and Organisation Development team of the Council, with high level commitment by the Chief Executive to integrate risk management in everything the Council does.

### **(C) Assessing risk**

Once risks have been identified, an assessment of their significance is required. This requires a robust and transparent scoring mechanism to be used uniformly across Council directorates.

Scoring should be a group exercise including managers and frontline employees. This is because people's perceptions vary and this can have an effect on scoring the risk. Employees who experience a risk every day can become complacent and fail to see how serious it may actually be, whilst a group will usually see the wider impact.

A decision on risk ownership is also required. The owner should be at management level and be responsible for ensuring that controls identified to manage the risk are in place and that they are effective. Delegation of responsibility for particular actions to other employees is acceptable, but overall control of risk must remain with management.

Tables 1 and 2 below set out a scoring mechanism for assessing the likelihood and the impact of exposure to risk.

**Table 1 – assessing the likelihood of exposure**

<b>1 Low</b>	Likely to occur once in every ten years or more
<b>2 Medium</b>	Likely to occur once in every two to three years
<b>3 High</b>	Likely to occur once a year
<b>4 Very high</b>	Likely to occur at least twice in a year

**Table 2 – assessing the impact of exposure**

<b>1. Min or</b>	Loss of a service for up to one day Objectives of individuals are not met No injuries Financial loss over £1,000 and up to £10,000 No media attention No breaches in Council working practices No complaints / litigation
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<p><b>2. Medium</b></p>	<p>Loss of a service for up to one week with limited impact on the general public.  Service objectives of a service unit are not met.  Injury to an employee or member of the public requiring medical treatment.  Financial loss over £10,000 and up to £100,000.  Adverse regional or local media attention – televised or news paper report.  Potential for a complaint litigation possible  Breaches of regulations / standards.</p>
<p><b>3. Serious</b></p>	<p>Loss of a critical service for one week or more with significant impact on the general public and partner organisations.  Service objectives of the directorate of a critical nature are not met.  Non- statutory duties are not achieved  Permanent injury to an employee or member of the public.  Financial loss over £100,000  Adverse national or regional media attention – national newspaper report.  Litigation to be expected  Breaches of law punishable by fine.</p>
<p><b>4. Major</b></p>	<p>An incident so severe in its effects that a service or project will be unavailable permanently with a major impact on the general public and partner organisations.  Strategic priorities of a critical nature are not met  Statutory duties are not achieved  Death of an employee or member of the public  Financial loss over £1m.  Adverse national media attention – national televised news report.  Litigation almost certain and difficult to defend  Breaches of law punishable by imprisonment.</p>

**(F) Prioritisation of risk**

Table 3 brings together in a matrix the likelihood and impact of risk.

**Table 3 – risk matrix**

**Likelihood**

		1	2	3	4
Impact	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4

Based on this matrix, the Council must decide on the level of risk it is prepared to accept as part of its ongoing operations. Any risk above the agreed level should be considered unacceptable and will therefore need to be managed. The risks in the above matrix fall into three zones; red, amber and green. Table 4 sets out the Council's intended response to these risks.

**Table 4 – Intended responses to risk**

<b>Red</b>	Controls and/or mitigating actions are required to reduce the risk to an acceptable level. Effort should be focused on reducing the risk of any items appearing in this zone, hence moving them to the amber or green zone.
<b>Amber</b>	Risks will require ongoing monitoring to ensure they do not move into the red zone. Depending on the resources required to address the red risks, it may be appropriate to develop controls/mitigating actions to control these risks.
<b>Green</b>	Existing controls and/or mitigating actions are sufficient and may be excessive. More resource committed to reduce these risks is likely to be wasted. Consideration should be given to relaxing the level of control to release resources for mitigating higher level risks.

**(G) Format of the risk register**

Annex 1 to this framework provides a standard format.

Corporate Risk Register															
Ref No.	Risk Description	Consequence	Cause	Inherent Risk			Responsibility of	Responsible to	Control Measures	Residual Risk			Target Risks		
				Impact	Likelihood	Rating				Impact	Likelihood	Rating	Impact	Likelihood	Rating

# RISK MANAGEMENT POLICY

**I hereby declare that the contents contained within are correct and implemented at all establishments, managed by North West Leicestershire District Council.**

Signed: \_\_\_\_\_

CHIEF EXECUTIVE

Date: \_\_\_\_\_

<b>Authorised by</b>	<b>Chief Executive Officer</b>
<b>Date Authorised:</b>	
<b>Prepared by:</b>	<b>Ian Bennett</b>
<b>Plan Owner:</b>	<b>North West Leicestershire District Council</b>
<b>Policy Reference:</b>	<b>2018(v2.1)</b>

<b>DOCUMENT REVIEW</b>			
<b>Date of Review</b>	<b>Reason for Review After use (A) Scheduled Review (S) Legislation (L) Other (O)</b>	<b>Suitable/ Unsuitable (S/U)</b>	<b>Brief details</b>
<b>16/12/14</b>	<b>Scheduled Review (S)</b>	<b>Suitable</b>	<b>Change of personnel</b>
<b>25/05/16</b>	<b>Scheduled Review (S)</b>	<b>Suitable</b>	

<b>AUDIT OF AMENDMENTS</b>			
<b>Date</b>	<b>Paragraph Changed</b>	<b>Details / Reason</b>	<b>Approved by</b>
<b>16/12/14</b>	<b>Paragraph 2.1(a)</b>	<b>Change of name to Risk Scrutiny Group (RSG)</b>	
<b>16/12/14</b>	<b>Paragraph 2.1(b)</b>	<b>Change in Co-ordinator to Health and Safety Officer</b>	
<b>16/12/14</b>	<b>Paragraph 2.1(c)</b>	<b>Change in Chair to include the Director of Services</b>	
<b>16/12/14</b>	<b>Paragraph 2.1(d)</b>	<b>Clarified portfolio holder as the Leader of the Council</b>	
<b>12/06/17</b>	<b>Scheduled Review (S)</b>	<b>Suitable</b>	
<b>25/01/18</b>	<b>Scheduled Review</b>	<b>Suitable following review</b>	

	<b>(S)Paragraph 2.1(c)</b>	<b>Change in Chair to include the Strategic Director of Housing and Customer Services</b>	
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